

**MAKING HOME AFFORDABLE**

**Avoiding Foreclosure for Homeowners**

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 Strategic Markets  
 April 25, 2011

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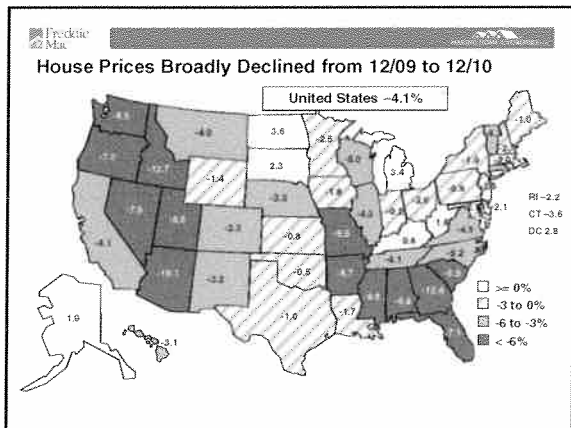
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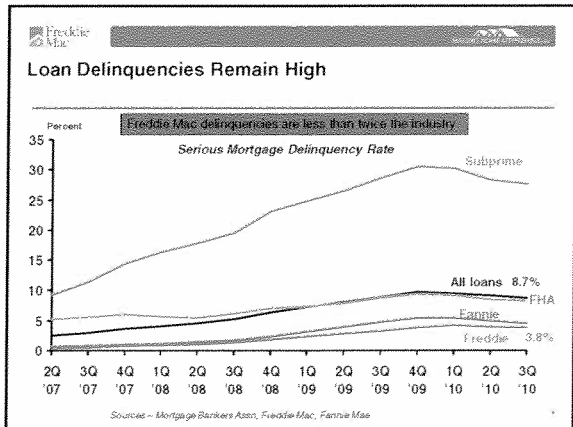
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## Job Loss Is the #1 Hardship Reason

Hardship Reason	2009
Unemployment or curtailment of income	58.3%
Excessive obligation	16.3%
Illness or death in the family	11.2%
Marital difficulties	5.0%
Inability to sell or rent property	2.8%
Employment transfer or military	1.7%
Property problem or casualty loss	0.9%
Extreme hardship	0.1%
All other reasons	3.7%

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## The Good News

- We are committed to helping homeowners avoid foreclosure.
- The Making Home Affordable program offers strong options for eligible homeowners looking to avoid foreclosure or to make their mortgage payments more affordable.

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## Reaching Homeowners through Many Strategies

Since the beginning of 2009 we have helped more than 370,000 borrowers avoid foreclosure.

- Increased loss mitigation and servicing staff by 70%, with on-site specialists in Servicer shops.
- Reimbursed Servicers for document collection and signature services.
- Opened and maintained Freddie Mac Borrower Help Centers and our Borrower Help Network to reach "no contact" delinquent borrowers through trusted intermediaries.
- Participated in hundreds of foreclosure prevention workshops.
- Offered online resource centers for lenders, Servicers, and borrowers to learn more about foreclosure avoidance.

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## The Making Home Affordable Program

### Helping Homeowners

- The Making Home Affordable Program is part of the president's comprehensive plan to combat foreclosures and preserve communities.
  - Our support builds on Freddie Mac's ongoing effort to stop unnecessary foreclosures.
- Goal: To help struggling homeowners reduce mortgage payments to a level that is affordable now and into the future.
- Making Home Affordable has the following components:
  - Home Affordable Refinance
  - Home Affordable Modification
  - Home Affordable Foreclosure Alternatives (HAFA)

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## Home Affordable Refinance

### Goals

- Help homeowners take advantage of current mortgage rates, despite a decrease in home value.
- Reduce monthly payments for homeowners in order to help reduce foreclosures, stabilize communities, and stimulate the economy.
- Be an option for eligible homeowners to get into mortgages with more stable, more affordable payments.

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## Home Affordable Refinance

### Homeowner Eligibility

- Homeowner owns a 1- to 4-unit home.
- Mortgage is owned or guaranteed by Freddie Mac or Fannie Mae.
- Homeowner is current on mortgage payments (no payments were 30 or more days late within the past 12 months).
- The amount owed on mortgage is no more than 125% of the home's current value.
- Homeowner has sufficient income to support the new mortgage payment when requalification is required.
- The refinance improves the long-term affordability or stability of homeowner's mortgage.

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

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## Home Affordable Refinance

### Two Freddie Mac Relief Refinance Mortgage Options

- Relief Refinance Mortgage - Same Servicer** - Homeowner gets refinancing\* from *current* Freddie Mac Seller/Servicer, who already has necessary files and documents.
  - No re-qualification is necessary unless the principal and interest payment goes up more than 20%.
  - No new appraisal is required. Property value estimates can be determined by Seller/Servicer with the Freddie Mac Home Value Explorer® (HVE) or an appraisal.
- Relief Refinance Mortgage - Open Access** - Homeowner gets refinancing from *any* Freddie Mac-approved Seller/Servicer that is offering the product.
  - Re-qualification/re-underwriting is necessary.
  - New appraisal is required.

\*Freddie Mac's program requirements for the Home Affordable Refinance Program include the Freddie Mac Relief Refinance® Mortgage

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## Home Affordable Refinance (Freddie Mac Relief Refinance Mortgage<sup>SM</sup>)

### Features of the New Mortgage

- Expanded Loan-to-Value (LTV) ratios and unlimited TLTV/HTLTV ratios.
- Mortgage insurance not required if existing mortgage has no mortgage insurance and LTV ratio is >80% on new mortgage.
- Proceeds may be used to pay the lesser of 4 percent of the current unpaid principal balance of the mortgage being refinanced or \$5,000 in related closing costs, financing costs, and prepaids/escrows.

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## Home Affordable Refinance (Freddie Mac Relief Refinance Mortgage<sup>SM</sup>)

### Long-Term Stability and Affordability

- Refinance must result in **one** of the following:
  - Reduction in the interest rate of the first lien mortgage
  - Replacement of an adjustable-rate mortgage (ARM), interest-only mortgage, or a balloon/reset mortgage with a fixed-rate, fully amortizing mortgage
  - Reduction in the amortization term (for example, a 40-year fixed-rate mortgage (FRM) to a 30-year FRM) of the first lien mortgage

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### Home Affordable Refinance (Freddie Mac Relief Refinance Mortgage<sup>SM</sup>)

#### Benefits for Homeowners

- Eligible homeowners whose mortgage interest rates are much higher than the current market rate may see immediate reduction in the mortgage payment.
- Eligible homeowners who have interest-only or adjustable-rate mortgages may benefit from improved stability when refinancing into a fixed-rate mortgage.

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### Home Affordable Modification

#### Goals

- Help homeowners struggling to make mortgage payments because their interest rates have increased, their incomes have decreased, or they've experienced a financial hardship.
- Reduce mortgage payments for homeowners who are now delinquent, or who are current but at risk of default and foreclosure.
- Be an option for homeowners whose mortgages are owned by any **participating** servicer (Freddie Mac and Fannie Mae servicers and most servicers of loans owned by banks, Wall Street firms, etc.).

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### Home Affordable Modification

#### Homeowner Eligibility

- Homeowner is the owner-occupant of a 1- to 4-unit home.
- Amount owed on **first** mortgage is equal to or less than \$729,750 (for 1-unit primary residences).
- Mortgage was originated on or before Jan. 1, 2009.
- The homeowner spends more than 31% of gross monthly income on mortgage payment (including principal, interest, taxes, insurance, escrow shortage, and homeowners association dues).
- Mortgage is no longer affordable because of a financial hardship that can be documented.

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## Home Affordable Modification

### Homeowner Eligibility

- Homeowner may be delinquent or already in the foreclosure process.
- Homeowner may be current on mortgage payments, but anticipate trouble making future mortgage payments.
- There must be affirmation of financial hardship.

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## Home Affordable Modification

### Servicers will:

- Perform full verification of homeowner's income, expenses and eligibility.
- Calculate a new payment that is as close as possible to, but no less than 31% of the homeowner's gross (before tax) monthly income.
- Apply a Treasury net present value test to determine if the cost of the payment reduction is a better financial outcome for the investor than not modifying the loan.

And if so....

- Offer the homeowner a trial period plan at the new payment amount.
- Permanently modify the loan if the homeowner successfully completes the trial period.

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## Know Your Debt-to-Income Ratio

### Front-End DTI Ratio

- Used to determine whether homeowner's monthly mortgage payment is "affordable."
- Calculated by dividing homeowner's current monthly mortgage payment by homeowner's gross monthly income.



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## Know Your Debt-to-Income Ratio

### Back-End DTI Ratio

- Used to determine how much of homeowner's income is needed to pay off all of homeowner's debts.
- Calculated by dividing homeowner's total monthly debt payments by homeowner's gross monthly income.

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## Home Affordable Modification

### Counseling for Long-Term Success

- Homeowners with a monthly total debt-payment-to-income ratio equal to or greater than 55% must agree to enter free HUD-approved credit counseling.

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## Home Affordable Modification

### Calculating the New Mortgage Payment

\*Servicers will calculate a new payment that is as close as possible to, but no less than 31% of the homeowner's gross (before tax) monthly income.

- First - Capitalize accrued interest and other costs.  
... If that doesn't result in a low enough payment
- Next - Reduce the interest rate to as low as 2%.  
... If that doesn't result in a low enough payment
- Next - Extend the loan term up to 40 years if necessary.  
... If that doesn't result in a low enough payment
- Finally - Forbear (defer) a portion of the principal until the loan is paid off, and waive interest on the deferred amount \*

\*The servicer may not purchase more than the greater of (a) the amount that results in the interest-bearing balance being less than 1% of the current value of the property or (b) 2% of the principal balance.

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## Home Affordable Modification

### Homeowner Documentation Required

- Signed IRS Form 4506-T or 4506T-EZ
- Two most recent pay stubs or salary vouchers
- Statements that show other debts and obligations like credit card balances, student loans, car loans, medical bills, etc.
- A Request for Modification and Affidavit, including a concise statement explaining the financial hardship. Did you lose your job? Was there a medical emergency?

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## Home Affordable Modification

### Entering the Trial Period

- Homeowners must return Initial Package and required documents to Servicer.
- Following full verification of borrower eligibility, Servicers will put an eligible homeowner on a trial period plan at the new payment amount.
  - » Servicers deliver trial period plan terms to borrower.
  - » Homeowner pays at estimated new monthly payment during the trial period.
  - » Pending foreclosures must be postponed during evaluation and trial period.

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## Home Affordable Modification

### Modifying the Loan After Successful Trial

- Following a successful trial period, Servicers will permanently modify the loan.
  - » The modified interest rate can never exceed the prevailing market interest rate at the time of the modification (the cap).
  - » If the starting rate is less than market, it will be fixed for five years and then will increase 1% each year until it reaches the cap.
  - » Accrued interest and expenses will be capitalized (added to the amount due). Unpaid late fees will be waived.
  - » All modifications require an escrow for taxes and insurance, if allowed by applicable law.

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## Home Affordable Modification

### Additional Modification Terms

- No modification fee can be charged.
- Pending foreclosure sales must be postponed during evaluation & trial periods.
- Homeowners must be truthful.
- Homeowners must return the Initial Package and required documentation before a Servicer can start your trial period.
- Homeowners with high overall debt (i.e. equal to or greater than 55%) must agree to seek counseling.

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## Home Affordable Modification

### Homeowner Incentives

- To help foster long-term success, special incentives are awarded when homeowners pay the Home Affordable Modification modified mortgage amount on time every month.
  - Mortgage balance can be reduced up to \$1,000 each year for five years.
  - Over five years, on-time payments could reduce the amount owed on the mortgage by as much as \$5,000.

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## Home Affordable Modification Success Story

Client: Nick from Virginia  
2005: Buys \$330,000 Home  
10% down payment  
\$297,000 mortgage  
(30 yr fixed @ 6.5%)

2008: Income drops to  
\$47,000 due to sudden  
illness.

### Nick's Current Monthly Payment

Principal & Interest	\$1,877
Taxes	300
Insurance	80
Association Fee	50
Mortgage Insurance	100
Total Monthly Payment	\$2,407

Target Monthly PITIA payment  
for the Home Affordable  
Modification program is \$1,215.

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### Home Affordable Modification Success Story

Nick's Home Affordable Modification program payment is set at \$1,215 for 5 years. Market rate at time of permanent modification was 4.85%.

Starting in year 6, Nick's interest rate rises up to 1% per year until market rate at time of permanent modification is reached.

In year 8, interest rate of 4.85% is fixed for life of Nick's loan.

Year	Interest Rate	PMTA (Per \$1,000)
1-5	2%	\$1,215
6	3%	\$1,341
7	4%	\$1,475
8 - 40	4.85%	\$1,594

Nick saves \$65,520 in the first five years.

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### Home Affordable Foreclosure Alternatives (HAFA)

#### Goals

- Provide eligible borrowers with alternatives to avoid costly foreclosures when they are unable to keep their homes.
- Mitigate the impact of foreclosure on borrowers and communities by encouraging the private sale or transfer of properties.
- Help borrowers who do not qualify for or complete a HAMP modification or other Freddie Mac home retention options transition into more affordable housing and avoid foreclosure.
- Streamline the short sale and deed-in-lieu process to help more borrowers avoid foreclosure.

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### Home Affordable Foreclosure Alternatives (HAFA)

#### Borrower Eligibility

- HAFA solutions are available to all HAMP-eligible borrowers who:
  - Do not qualify for or successfully complete a HAMP Trial Period Plan.
  - Are more than 60 days delinquent on their mortgage payments, and have cash reserves less than the greater of \$5,000 or three times their current monthly mortgage payment.
  - Are offered, but refused, a HAMP Trial Period Plan or other Freddie Mac home retention solution, and request a short sale or deed-in-lieu.
  - Are in foreclosure, in pending litigation involving the mortgage, or inactive bankruptcy.
  - Can convey a clear, marketable title to the mortgaged property.

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### Home Affordable Foreclosure Alternatives (HAFA)

#### Property Eligibility

- Eligible properties are:
  - » One- to four-unit single-family dwellings, condominiums, or Guide-eligible manufactured homes.
  - » Owner-occupied and the borrower's primary residence.
  - » Not abandoned, condemned, or vacant (unless an exception applies for vacant properties).

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### Home Affordable Foreclosure Alternatives (HAFA)

#### Program Eligibility

- HAFA is effective immediately, but mandatory August 1, 2010, for first lien mortgages that are:
  - » Owned, guaranteed, or securitized by Freddie Mac.
  - » Originated on or before January 1, 2009.
- HAFA will expire on December 31, 2012.

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### Home Affordable Foreclosure Alternatives (HAFA)

#### Servicers must:

- Incorporate HAFA into their operations and offer it to eligible borrowers no later than **August 1, 2010**.
- First consider eligible borrowers a HAMP modification and then for other Freddie Mac home retention options.
- Before considering the borrower for HAFA, consider the borrower for other Freddie Mac home retention options.

#### Servicers may:

- Offer eligible borrowers a HAFA Deed-in-Lieu, if the mortgaged property does not sell within the HAFA Short Sale marketing period, and it is authorized by Freddie Mac.

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## Home Affordable Foreclosure Alternatives (HAFA)

### Key Features

- HAFA strives to help borrowers who do not qualify for or complete a permanent HAMP modification, or other Freddie Mac home retention foreclosure alternatives, transition into more affordable housing and avoid foreclosure.
- Servicers must proactively offer a HAFA Short Sale to eligible borrowers and leverage standard documents and tools.
- All potentially eligible borrowers must be considered for HAFA before the mortgage is referred to foreclosure or a pending foreclosure sale is conducted.
- Borrowers cannot make cash contributions or promissory note obligations to satisfy either the first lien or subordinate liens, and upon completion of the HAFA Short Sale or HAFA Deed-in-Lieu all mortgage debts related to the property are extinguished.
- Borrowers and Servicers may receive incentives for a successful closing of a HAFA Short Sale or HAFA Deed-in-Lieu, subject to certain requirements.

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## What to Do

- **To determine your eligibility,** visit [MakingItHomeAffordable.gov](http://MakingItHomeAffordable.gov).
- **To apply:** Contact your mortgage servicer – the company that collects your mortgage payment.
- **To determine who owns your mortgage:**
  - ↳ Freddie Mac - [FreddieMac.com/mymortgage](http://FreddieMac.com/mymortgage) or 800-FREDDIE (8:00 a.m. to 8:00 p.m. ET)
  - ↳ Fannie Mae - [FannieMae.com/homeaffordable](http://FannieMae.com/homeaffordable) or 800-7 FANNIE (8:00 a.m. to 8:00 p.m. ET)
- **To find a HUD-approved housing counselor:**
  - ↳ Visit [www.hud.gov/foreclosure](http://www.hud.gov/foreclosure).
  - ↳ Call the Homeowner's HOPE™ Hotline at 888-995-HOPE (4673).

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## Recognize and Avoid Scams

### Homeowners Beware

- Never pay a fee in exchange for a counseling service or a future modification of a delinquent loan.
- Never be pressured to sign papers immediately.
- Never sign over the deed to your property to any organization or individual *unless* you are working directly with the mortgage company to forgive the debt.
- Never make the mortgage payment to anyone other than your mortgage company without your mortgage company's approval.

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## Information and Resources

Information is also available in Spanish

Homeowners may contact the hotline 24 hours a day

Informative video helps homeowners decide options

Visit [MakingHomeAffordable.gov](http://MakingHomeAffordable.gov).

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## Information and Resources

Get information in Spanish

Find out if Freddie Mac owns your mortgage

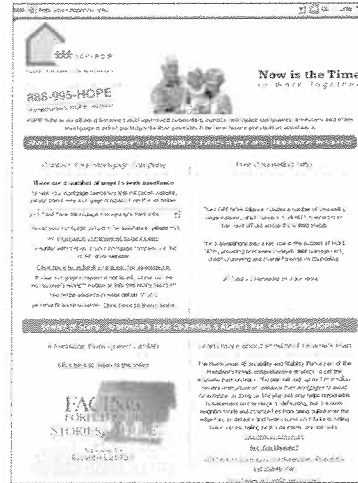
Visit [FreddieMac.com/avoidforeclosure](http://FreddieMac.com/avoidforeclosure).

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## Information and Resources



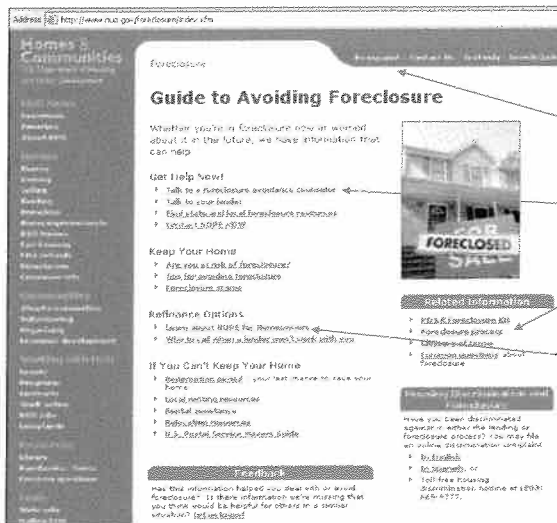
Visit [www.995hope.org](http://www.995hope.org),  
or call 888-995-HOPE.



Visit [www.HopeNow.com](http://www.HopeNow.com),  
or call 888-995-HOPE.

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## Information and Resources



Visit [www.HUD.gov/foreclosure](http://www.HUD.gov/foreclosure)

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### Information and Resources

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### Explore All Options

- There may be other good options for homeowners who don't qualify for the Making Home Affordable Program.
  - Don't walk away, and don't give up.
  - Call your servicer to explore all options:
    - To keep the home
    - To transition out of the home

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### Explore Workout Options to Keep Your Home

- Refinance
- Full reinstatement
- Short-term or long-term forbearance
- Partial reinstatement and repayment plan
- Loan modification
- FHA Partial Claim/PMI advance claim
- FHA Hope for Homeowners Refinance

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

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### Explore Workout Options to Transition out of Your Home

- \* Payoff/Make whole
- \* Short payoff
- \* Deed in lieu of foreclosure
- \* Delinquent loan assumption

\* Certain provisions may not be available in all states. Please consult your Servicer for more information.

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

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### Be Patient, Yet Persistent

- \* Mortgage financing is a complex process that requires a significant amount of documentation and multiple individuals within a Servicer's organization to process.
- \* Servicers are assisting many homeowners, giving priority to those in most immediate danger of losing their homes.
- \* Please be patient, yet persistent. It may take some time before your Servicer is able to process your application.

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

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### Contact Information

#### Borrower Assistance

- \* [Freddie\\_mac\\_borrower\\_help@freddiemac.com](mailto:Freddie_mac_borrower_help@freddiemac.com)
- \* 1-800-373-3343 (option 2)

#### Freddie Mac

- \* [FreddieMac.com](http://FreddieMac.com)
- \* 800-FREDDIE

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